



**MARICOPA COUNTY ATTORNEY'S OFFICE
INVESTIGATIONS DIVISION**



SUPPLEMENTAL REPORT FORM

Report / Case #:	MCAO 2012-000013	Tracking #:	273884
Victim:	State of Arizona	Defendant:	Horne/Winn
Charge(s):	Fraud Schemes	Date:	Various
Detective:	Mark Stribling	Attorney:	Vicki Kratovil

FBI case number: 194A-PX-87458

**FBI case agents: SA Brian Grehoski
SA Merv Mason**

MCAO case number: 2012-000013

MCAO case agent: Commander Mark Stribling

The following documents relate to the investigation of Tom Horne/Kathleen Winn and the Independent Expenditure Committee known as Business Leaders for Arizona.

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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 10/05/2011

To: Criminal Investigative

Attn: Public Corruption Unit
Room 3973
SSA Terry Reed

Phoenix

From: Phoenix
C-1

Contact: SA Brian Grehoski,

Approved By: Turgal James L. *JL* 12/7/2011
Condo David A. *PAC*
Remus Kurt A. *KR*

Drafted By: Brian Grehoski: *bg*

Case ID #: 194A-PX-~~NEW~~ (Pending) 87458 - 57

Title: SENSITIVE INVESTIGATIVE MATTER;
DARK RAINBOW;
CSLPO - STATE LEVEL
OO:PHOENIX

RESTRICTED DOCUMENT - DISSEMINATE TO PERSON(S) WITH ROLE

Synopsis: To request SAC approval to open a full field public corruption SIM investigation in captioned matter and assign to SA Brian Grehoski, and provide LHM notification to PCU of case opening.

Enclosure(s): One original and two copies of Letterhead Memorandum.

Details: On 09/30/2011, Arizona Attorney General's Office (AG) Supervisory Special Agent/Federal Bureau of Investigation (FBI) Task Force Officer (TFO) Margaret Hinchey provided FBI Special Agent (SA) Mervil C. Mason and SA Brian Grehoski with information that supports the allegation Arizona Attorney General Tom Horne and AG Director of Community Outreach Kathleen Winn conspired to fraudulently transact in and conceal campaign contributions. According to the allegation, Horne directed Winn to secretly create an independent expenditure bank account in order for

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Horne's campaign to receive illegal contributions and allow donors to anonymously exceed state campaign contribution limits.

Hinchey has been tasked by the AG's Office to conduct an internal investigation relating to a media leak; that investigation to date leads Hinchey to believe Winn is a potential source of the media leak in question. AG Horne has told staff members Hinchey, Chief Deputy AG Rick Bistro, Chief Special Agent Andy Rubalcava, Criminal Division Chief Jim Keppel, Chief of Staff Margaret Dugan, and Public Information Officer (PIO) Amy Rezzonico, in several separate conversations, that Horne can't fire Winn because "she can hurt me too much". Despite being advised by both his second and third in command advisors (Bistro and Keppel) that Horne should not personally interview Winn relating to the media leak, Horne is insisting that he personally handle Winn's interview. Hinchey was present when Keppel asked Bistro how exactly Winn can "hurt" AG Horne; Bistro replied he didn't want to get into that.

AG PIO Rezzonico, who formerly worked on Horne's campaign for AG, has disclosed on separate occasions to TFO Hinchey, Keppel, and to other staff members that the information Winn has that can "hurt" AG Horne is related to Horne directing Winn to handle "independent expenditures" during his campaign. In addition, Assistant AG Mike Flynn reported to TFO Hinchey during the course of an interview that he heard Winn say that there was a "secret bank account for Tom's campaign". Flynn also reported to Hinchey that he heard AG Community Services Coordinator Lucia di Vernai say that the reason behind Horne's secret campaign bank account was so donors' names would not be disclosed on campaign finance reports, and so the donors could exceed state campaign contribution limits.

Maricopa County Elections Director Karen Osborne has advised SA Grehoski, SA Mason, and TFO Hinchey that under Arizona campaign finance statutes relating to independent expenditures, a candidate running for office, or any agent of his campaign, is strictly forbidden from directing or consulting on an "independent expenditure". Such conduct would also constitute a fraud scheme against the voters of Arizona. Osborne further advised that the agency charged with investigating allegations of violations of these statutes by a state candidate is the Arizona Attorney General's Office.

SA Grehoski conducted open source and existing government databases searches for pertinent information to the

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above allegations. Specifically, SA Grehoski observed on www.youtube.com a smear advertisement aired in Arizona against AG candidate Felicia Rotellini (Democrat) paid for by "Business Leaders for Arizona with substantial funding by Republican State Leadership Committee." The State of Arizona, Secretary of State website lists several campaign finance reports for "Business Leaders for Arizona" (BLA). George Wilkinson, believed to be associated to Winn through some real-estate business/relationship is the Chairman of the organization. Also, Winn's home address and email address are listed as the contact information for the BLA. BLA's financial disclosure statements list six individual contributors and three business contributors whose contributions totaled \$512,500.00 between the primary in August 2010 and the general election (Financial Disclosure report covering 10/14/2010 through 11/22/2010) in November 2010. Further, those contributions were used to pay the Lincoln Strategy Group (LSG) in Tempe, Arizona, for television advertisements with the stated purpose of opposing Rotellini for AG. LSG was paid \$350,000 in cash on 10/21/2010 and held an additional \$160,000 in debt; it is unclear from the campaign finance reports as to whether the balance of the money held by BLA was used to pay the \$160,000 debt to LSG.

With regards to the Republican State Leadership Committee (RSLC), the RSLC's stated purpose from their website, www.rslc.com, is to support Republican candidates in state level elections. The RSLC wire transferred \$350,000 to the BLA on 10/22/2010. It is unclear at the time of this writing as to whether the RSLC donated the money with the knowledge that Winn was a campaign worker on Horne's campaign or if fraudulent representations were made to RSLC representatives.

The above allegations are indicative of a fraud scheme to purposely circumvent state campaign contribution law, in order for the State's top elected law enforcement official to exceed campaign contribution limits, and to allow for anonymous campaign donations. The FBI's investigation will determine whether interstate wire communications and/or financial institutions were utilized in furtherance of this scheme to conceal/disguise the true nature of these monetary transactions. Financial disclosure statements for BLA report that \$350,000 was wired from RSLC to the BLA bank account at UMB Financial Corporation, Kansas City, Missouri.

Title 18 U.S.C. §§ 1341 and 1343 make it a crime for anyone to use the U.S. mail or interstate wire communications in

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furtherance of carrying out a scheme or artifice to defraud, or for obtaining money by means of false or fraudulent pretenses. Investigation of these allegations will determine whether any contributions to the alleged "secret account" were obtained via use of the mails or wire communications. Title 18 U.S.C. §§ 1956 and/or 1957 may also be considered if there is evidence the subjects knowingly conducted financial transactions using the proceeds of specified unlawful activity (SUA) (such as mail/wire fraud) with the intent to conceal or disguise the source, nature, location, ownership or control of the transactions, or if any monetary transactions using the proceeds of SUA involving at least \$10,000 were transferred through a financial institution. Title 18 U.S.C. § 371 makes it a crime for two or more persons to conspire to commit any offense against the United States, and for one or more of such persons to do any act to effect the object of the conspiracy.

Based on the above listed information, there is an articulable factual basis to justify the Phoenix Division opening a full field SIM investigation.

Phoenix Division is of the opinion that the FBI is the appropriate law enforcement entity to conduct the investigation of the allegations in consultation with Maricopa County Attorney (MCA) Bill Montgomery and/or Yavapai County Attorney (YCA) Sheila Polk for several reasons. As the information provided to the FBI to date indicates state level fraud schemes and/or election crimes have occurred, and that there is also a potential for federal wire fraud and/or mail fraud schemes, the appropriate body to prosecute the state level charges in this case would be the Maricopa County Attorney's Office (MCAO) because of the obvious conflict with the AG investigating/prosecuting himself. On 11/28/2011, Supervisory Special Agent (SSA) Kurt A. Remus and SA Grehoski met with MCA Montgomery and YCA Polk to discuss the matter who both concurred with the opening of an investigation into the allegations. MCA Montgomery advised that his staff is both encumbered with existing work and currently would have a conflict with investigating the AG as they are working a case jointly with the AG (reference the Fiesta Bowl investigation, Phoenix Matter 56C-PX-86475 - Wayward Sol). Further, MCA Montgomery acknowledged the sensitivity of the matter and acknowledged that word of an investigation of the AG might potentially be leaked by personnel in his office. As such, MCA Montgomery concurs with the FBI conducting the investigation, with MCAO Deputy County Attorney (DCA) Vicki Kratovil available for consultation regarding state charges.

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Assistant United States Attorney (AUSA) Gary Restaino was initially briefed regarding these allegations and concurred that federal mail fraud/wire fraud charges may be considered at the conclusion of this investigation. Phoenix Division intends to present the results of this investigation to the U.S. Attorney's Office first upon conclusion of same, for consideration of federal charges.

In addition to the above, SA Mason and SA Grehoski have developed a confidential human source (CHS) who is in a position to conduct consensually monitored conversations in furtherance of the captioned matter. CHS is comfortable working with the FBI but has expressed concerns over working with local agencies.

If proven, the subjects' alleged actions may also violate several Arizona statutes relating to state campaign contribution regulations. The Arizona State Attorney General's Office would have primary jurisdiction for investigating any such state campaign contribution violations; but the State AG is the subject of the allegations. A reasonable basis exists to believe this investigation will also lead to evidence of violations of federal law, and thus there is a federal nexus for the FBI to conduct this investigation. Phoenix Division will conduct a logical criminal investigation in order to obtain evidence/information to determine whether a federal crime has occurred, for prosecution in federal court. If the investigation determines that criminal violations have occurred, a prosecutive report will be submitted to the U.S. Attorney's Office. If the USAO declines to prosecute any potential federal violations, the FBI's investigative results may be submitted to an appropriate local prosecutive agency (i.e., the Maricopa County Attorney's Office or Yavapai County Attorney's Office) at a later date for consideration of potential state law violations/prosecution.

Before authorizing a full investigation involving a "sensitive investigative matter" (SIM), approving officials must determine whether an authorized purpose and adequate predication exist for initiating a full investigation, whether the investigation is based on factors other than the exercise of First Amendment activities or the race, ethnicity, national origin or religion of the subject; and whether the investigation is an appropriate use of personnel and financial resources. Where an investigation involves a SIM, approving officials must also consider the seriousness or severity of the violation; the significance of the information sought to the violation; the probability that the proposed course of action will be

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successful; the risk of public exposure, and if there is such a risk, the adverse impact or the perception of the adverse impact on civil liberties and public confidence; and the risk to the public welfare if the proposed course of action is not approved (i.e., the risk of doing nothing). In other words, the adverse impact or the *perception* of the adverse impact on public confidence in the event the proposed course of action is *not* approved. Deterrence of criminal conduct is one of the primary goals of the criminal law. Any actions violating criminal law by high ranking members of the chief law enforcement entity in the State of Arizona would have a major impact on the community, and thus merits a sound, well-reasoned and objective review of the evidence. The fact that the subjects of this SIM currently occupy positions of trust or responsibility in the State of Arizona which he/she has potentially violated if they have committed the alleged offenses, must be considered accordingly. And if the allegations are false, it is important to establish that as well.

This investigation involves the activities of domestic public officials elected and/or appointed to management or executive-level positions in a state government entity involving public corruption under DIOG sections 10.2.A and 10.2.B. This is also an investigation that in the judgment of authorizing officials under DIOG section 10.2.G should be brought to the attention of FBIHQ and other DOJ officials as a potential SIM.

Regarding notice of this SIM to the local U.S. Attorney's Office, District of Arizona, FBIHQ is advised that former U.S. Attorney Dennis Burke has recently resigned from his position. Although there is currently no known conflict with the Acting U.S. Attorney in this matter, at least one of the candidates currently under consideration for the position of U.S. Attorney, District of Arizona, is personally close to and/or is currently employed by Arizona Attorney General Tom Horne and works with the other subject of this SIM. Given these circumstances, Phoenix Division will not at this time be notifying the local USAO in writing of this SIM; FBIHQ is hereby advised of same, pursuant to DIOG 2011 § 10.1.4.4.1.

On 09/30/2011, SA Mason and Grehoski conferred with Associate Division Counsel (ADC) Karalee H. Smith who concurred with the opening of a Sensitive Investigative Matter (SIM) full investigation based on the above mentioned allegations. In ADC Smith's opinion, a SIM full investigation is warranted under the guidance of both Domestic Investigations and Operations Guide

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2008 and 2011.

It is anticipated that TFO Hinchey will be directed by the Phoenix Division to consensually monitor her conversations with one or more of the subjects of this SIM regarding these allegations.

Undisclosed participation (UDP) does not apply to this SIM investigation. UDP takes place when anyone acting on behalf of the FBI, including but not limited to an FBI employee/Task Force Officer, participates in the activity of an organization on behalf of the U.S. Government *without disclosing* FBI affiliation to an appropriate official of the organization. Leading up to 09/30/2011, TFO Hinchey's participation in the organization (the AGO) was entirely on her own behalf, she was not tasked by the FBI to obtain information, and therefore was not engaging in UDP. After subsequently volunteering this information to the FBI, TFO Hinchey's participation as acting on behalf of the FBI relative to these allegations has been disclosed to the second-in-command at the Arizona Attorney General's Office, Criminal Division Chief Jim Keppel. Disclosure has been made to an appropriate official with actual authority to act on behalf of the organization, and thus TFO Hinchey's activity is not considered UDP.

Both DIOG and the AGG-Dom include within the definition of "Sensitive Monitoring Circumstance" an investigation of the Governor... or Attorney General of any state ... or a judge or justice of the highest court of any state ... *concerning an offense involving bribery, conflict of interest, or extortion related to the performance of official duties.* Pursuant to DIOG 2008 § 11.5.4.B.3 and DIOG 2011 § 18.6.1.6.3, requests to consensually monitor communications when a sensitive monitoring circumstance is involved must be approved by the DOJ Criminal Division. Phoenix CDC/ADC has reviewed applicable sections of the DIOG and the AGG-Dom, and opines that this SIM investigation relating to the Arizona Attorney General does not fit the definition of a "Sensitive Monitoring Circumstance" requiring additional approval, because Phoenix has no evidence to believe that the Arizona Attorney General has committed any offenses involving bribery, conflict of interest, or extortion related to the performance of his official duties. Rather, the instant allegations relate to campaign finance fraud. Thus, authority for consensual monitoring in this SIM investigation involving the Arizona Attorney General will be sought on an "Unless Advised to the Contrary by the Bureau (UACB)" basis by Phoenix Division agents: obtaining SSA approval of same via the FD-759, with CDC

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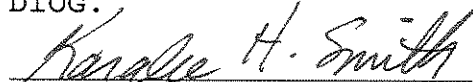
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review, in accordance with both DIOG 2008 § 11.5.4.A and DIOG
2011 18.6.1.1.

CHIEF DIVISION COUNSEL REVIEW:

DIOG. CDC Phoenix has reviewed, pursuant to Section 10 of the


ADC Karalee H. Smith


Date

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LEAD(s) :

Set Lead 1: (Info)

CRIMINAL INVESTIGATIVE

AT WASHINGTON, DC

For information of PCU; disseminate enclosed LHMs to DOJ, and provide notice of Sensitive Investigative Matters involved to Unit Chief and Section Chief, as deemed appropriate.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/14/2011

On 12/13/2011, FBI Phoenix Task Force Officer (TFO) Meg Hinchey informed Special Agent (SA) Brian Grehoski that Rick Bistrow, Chief Deputy Attorney General, Arizona Attorney General's Office (AG) instructed TFO Hinchey to refrain from writing reports pertaining to an internal investigation being conduct by TFO Hinchey at the AG.

By way of background, AG Criminal Division Chief James Keppel called TFO Hinchey on 12/12/2011 and advised that Bistrow inquired with Keppel about destroying the case file associated with TFO Hinchey's internal investigation relating to a media leak. In response, TFO Hinchey scanned all of her handwritten notes and burned a CD-ROM which she provided to SA Grehoski on 12/13/2011.

TFO Hinchey also provided the following items:

- a typewritten draft time-line of the events surrounding the internal investigation coving July 07, 2011 through the date of this FD-302.

- copies of her handwritten notes from various interviews, meetings, and the like.

- an email showing Attorney Dennis Carpenter's contact information which was referred to Bistrow as a person who could provide further information regarding retention/destruction of records.

- printed copies of various reports and memos pertaining to the internal investigation. These items are contained on the above described CD-ROM.

The CD-ROM has been placed in a 1-A envelope to be included in the case file. The other items are attached to this FD-302 to be included in the case file.

Investigation on 12/13/2011 at Phoenix, Arizona

File # 194A-PX87458-3

Date dictated 12/14/2011

by SA Brian Grehoski:bg

DRAFT

SAS M HINCHEY
AZ AGO
12/14/2011

TIMELINE OF EVENTS:

THIS TIMELINE IS RELATED TO INTERNAL ADMIN INVESTIGATION, P002-2011-1480, THROUGH WHICH I LEARNED OF PROBABLE CRIMINAL ACTIVITY BY ATTORNEY GENERAL HORNE AND OTHER MEMBERS OF HIS AG ELECTION CAMPAIGN STAFF AND/OR ATTORNEY GENERAL OFFICE (AGO) EMPLOYEES.

JULY 7, 2011 @ about 1000 hours:

I was advised by Chief Special Agent (CSA) Andy Rubalcava that while on vacation AG Horne had requested that I be assigned to conduct an administrative internal investigation to determine who may have leaked sensitive information to New Times reporter, Stephen Lemmons. CSA Rubalcava and I responded to AG Horne's office to discuss the investigation; present during the discussion were AG Horne, CSA Rubalcava, Chief of Staff Margaret Dugan and myself. During this meeting I learned that Lemmons of the New Times had submitted multiple public records requests (PRR) related to Assistant Attorney General (AAG) Carmen Chenal. I was advised that the PRRs referred to some specific information, to include travel information, that would only be known by members of the AGO. I was provided copies of the PRRs and granted authority to work with IT director John Abretske to recover hard drives from personnel suggested as possible sources for the leak and to work on the recovery of emails sent or received as they related to the PRR. The persons of interest as relayed to me by AG Horne and Chief Dugan were; Special Prosecutor Gerald Richard, AAG Michael Flynn, Community Outreach Director Kathleen Winn, and HR employee Kay Gee, and recent former AAG Steve Lepley.

JULY 7, 2011, after 1000 meeting:

I meet with Chief Dugan and AG PIO Amy Rezzonico about PRRs. During this meeting I am told that Winn was known to have a previously established relationship with Lemmons, to include his having been invited to a campaign/election returns party at the home of Rezzonico, through Winn. It was also mentioned that Winn was alleged to have had previous phone calls from "liberal" members of the press inquiring about a possible affair between AG Horne and Chenal. It was implied that one of those members of the press may have been Lemmons. It was suggested I speak with AG employees Lucia deVernai and Linnea Heap as they both had additional insight into Winn due to their both reporting to Winn as their supervisor. Discussions were also had about the apparent close friendships between Richard, Flynn, and Winn and the fact that Richard and Flynn were employees of the prior administration and known Democrats.

JULY 8, 2011:

CSA Rubalcava was asked by EXO to draft an interoffice memo indicating the release of travel and other calendared information for an AAG could present a security or safety concern for an AAG. This document was to be used to present to the New Times General Counsel as justification for withholding certain information in the PRR release.



DRAFT

SAS M HINCHEY
AZ AGO
12/14/2011

JULY 8, 2011 @ about 2100 hours:

Special Agent Kathleen Kempley, CSA Rubalcava and I respond to AGO to retrieve hard drives and conduct searches for information related to New Times article and/or contacts with Lemmons for the following: Richard, Flynn, Winn, Gee, and Lepley's former office/computer.

JULY 12, 2011:

CSA Rubalcava is asked to change the wording in certain portions of the above mentioned memo at the request of Chief Dugan and PIO Rezzonico.

JULY 13, 2011:

New Times article alleging favoritism and improper relationship between AG Horne and Chenal is released on-line. Winn contacts deVernai by phone and advises in a manner described as "giddy."

JULY 14, 2011 @ about 0701 hours:

PRR submitted by Lemmons related to emails and/or text messages related to CSA Rubalcava's memo. The fact the memo existed and its content was only known at this time by those listed in the PRR, however, in the on-line blog posts, a reference to the memo is made by a blogger. I later learned that AG Horne was the one that blogged and mentioned the memo and that when he learned the article had come out, had recruited a group of persons to blog in support of Horne and Chenal and questioning the article. This information was provided and/or confirmed by AG Horne, Chief Dugan, AAG Chenal, PIO Rezzonico, and/or Special Agent (SA) Lauren Buhrow.

JULY 14, 2011:

New Times article alleging favoritism and improper relationship between AG Horne and Chenal is released in hard copy. Winn contacts numerous persons via phone to advise of existence of article, as witnessed by deVernai. Winn also posts link to article on her Face Book website page. During same drive with deVernai, Winn contacts AGO Director Sharon Collins, of the Tucson office and states that she thinks AAG Leesa Morrison was the cause of the leak. (Note: On 07/15/11 a blogger identified as "Delta 13" writes about Morrison stating she makes "over \$100k a year and carry no caseload." Delta 13 is believed to be either Kathleen Winn or her husband Al Winn, and Kathleen is known to have animosity towards Morrison.)

JULY 2011 (Between 07/11/11 and 07/27/11):

DRAFT

SAS M HINCHEY
AZ AGO
12/14/2011

Hinchey is provided proxy access to Winn's live email account, per approval by AG Horne, via Chief Dugan. Chief Dugan directs IT director Abretske to set this up. An ongoing search and review of said emails takes place and emails or documents of concern are secured.

JULY 27, 2011:

New PRR from Lemmons regarding AG Executive Assistant Vanessa Deatherage's employment history and salary information.

JULY 28, 2011:

Meeting with AG Horne, Deputy Attorney General (DAG) Rick Bistrow, CSA Rubalcava and I during which all are briefed about findings to date and that evidence and interviews are leading investigation towards Kathleen Winn as the source of the leak to the NT.

During this meeting AG Horne discloses that Winn had recently requested to make interior decoration type changes to his office and he told her she would have to go through Deatherage for approval. It is pointed out to AG Horne that there appears to be a pattern. Winn is the common link between Chenal, Morrison, and Deatherage and that it appeared Winn may have jealousy issues with any female she perceives as close to AG Horne. AG Horne commented that he had been told by two women previously that Winn had said she "wanted to have sex with him", but he didn't believe that to be true. DAG Bistrow interjected that he had serious concerns or doubts about Winn stating he thought her to be a "bimbo" and not very smart, but that she did appear to want to work hard for the office.

DAG Bistrow stated that he did not doubt the theory which I proposed and added that he knew of an incident whereby AAG Flynn had approached him concerned for his job after a meeting and contact with Winn. DAG Bistrow told us that, AAG Lebowitz had planned to host a fundraiser for AG Horne and that Flynn had felt "pressured" by Lebowitz and others in the AGO to attend. Flynn had mentioned this to Winn, who in turn mentioned it in a management meeting, described as being attended by political supporters of AG Horne. During this meeting it was discussed and decided that no "politicking" should continue at the AGO during work hours. Winn allegedly went to Flynn and told him his name had come up in the meeting in this regard, which made Flynn nervous for his job. (Note: The date of the meeting when this discussion took place was later learned through Chief Dugan to be, May 4, 2011.)

Conversation continued regarding the possible leak and it was explained to AG Horne that there were multiple scenarios to include Winn working alone, or in concert with either Flynn and/or Richard as it was known the three spent a significant amount of time together, thus appeared to have strong bonds or allegiances. AG Horne said is that was the case he would probably fire Flynn and Richard. When asked why not Winn he said, "I can't fire her. She can really hurt me."



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SAS M HINCHEY
AZ AGO
12/14/2011

AG Horne suggests that if Winn must be interviewed, that he should be the one to conduct the interview.

AUGUST 3, 2011 @ about 1230 hours:

I met AG employee Lucia deVernai, at the request of Chenal and deVernai, for the purposes of an informal interview. I agreed to meet deVernai at an offsite location, a restaurant on 7th street in Phoenix. While there, deVernai told me about things she overheard Winn state regarding the New Times article, which has been memorialized in memos. When our food arrived, deVernai asked if she could tell me about another reason she did not trust Winn, "off the record." I advised I was not taking notes and listened while she explained that she had direct knowledge that led her to believe that Winn had falsified a grant application. She told me she brought her concerns to the attention of AG Horne and that he told her he would have AG Policy Advisor Doug Nick take a look at the grant application to be sure it was accurate and correct. deVernai states that Nick did stop by Community Outreach and briefly thumb through the documents and state that it was good. She also told me that following her notice to AG Horne, she was called into the office of Chief Dugan, along with HR Director Debbie Jackson, and was admonished and told if she brought forward any concerns of this nature again, she would lose her job. The other significant issue disclosed during this meeting were allegations that Winn was conducting her personal business during work hours, from the AGO, using state equipment. She stated she was told AG Horne was aware and had told Winn it was "okay."

AUGUST 3, 2011 @ about 1400 hours:

After deVernai left our lunch meeting, I went directly to the PHX FBIRA and advised SSA Kurt Remus of the alleged criminal activity I had just learned. I told him I was aware I had a duty to report, and felt that this was the only place I could do so due to the vast conflicts in the potential investigation and prosecution if the allegations proved true.

AUGUST 4, 2011 @ about 1230 hours:

I met AG employee Linnea Heap for the purposes of an informal interview, again at the request of Chenal and at an off-site location, this time at a different restaurant on 7th Street in Phoenix. Heap advised she too had heard about the personal business conduct on state time with state resources. Heap told me she heard from deVernai about the alleged grant application falsification issues. Heap also advised she directly asked Winn about the names she sued when blogging to articles and she told her she had blogged to the New Times article as "stupid."

AUGUST 29, 2011:

After securing documents indicating Winn's personal business activities from work, I inquire with Dugan about whether or not she is aware if Winn has submitted an outside employment form and/or had obtained permission for these activities. She states not to her knowledge, and



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SAS M HINCHEY

AZ AGO

12/14/2011

that she can check with HR Director Jackson. I ask her to please wait until I can verify further as I would be in Nevada for training the remainder of the week and I wanted the opportunity to ask Winn directly.

SEPTEMBER 1, 2011:

An email reminder about outside employment and the need to have a form submitted and have approval is sent out by HR Director Jackson, agency-wide.

SEPTEMBER 6, 2011:

CSA Rubalcava and I meet with AGO AAG Dennis Carpenter for the purposes of developing an admonition from which the present administration approved. When we met with Carpenter, we spoke in hypothetical terms until he advised he knew what we were investigating as HR Director Jackson had told him. He provided examples and direction about what would be appropriate language to use. On completion of my draft form, I sent it to Carpenter for final approval and he provided approval. I also requested Criminal Division Chief (CDC) Jim Keppel review said form, and he too approved, thus this form was utilized for all formal interviews from this point forward.

SEPTEMBER 10, 2011:

Winn hosts a party for Ago Community Outreach employees whereby she "warns" her staff of the "trifecta" of women "upstairs" to be aware of. She explains that Carmen Chenal, Leesa Morrison, and Amy Rezzonico are all mean and should be avoided. This is heard by multiple employees to include: deVernai, Viviana Jacques, Sam Pena, and Will Besette.

SEPTEMBER 26, 2011 @ 0930 hours:

I met with CSA Rubalcava, CDC Keppel, and DAG Bistrow to update on activities thus far for this investigation. During this meeting DAG Bistrow was advised of my findings in regard to Winn's personal business activities. DAG Bistrow advised he would like to meet with me later in the day to go through a notebook of documents related to this activity, so that I could explain what I had found. Also during this meeting, DAG Bistrow approved me to move forward on stating to conduct admonished, internal administrative investigation interviews to include SA Vern Alley and AAG Flynn.

SEPTEMBER 26, 2011 @ 1400 hours:

I met with DAG Bistrow and went through above mentioned notebook and explained what I was observing and provided the verbal background given to me by other AGO employees regarding their beliefs that Winn was conducting personal business on state time.

SEPTEMBER 27, 2011 (before PPD joint press conference):

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SAS M HINCHEY
AZ AGO
12/14/2011

AAG Morrison contacted me in my office on an unrelated topic. During my conversation with Morrison, I inquired about what Winn could possibly have an AG Horne that caused him to feel he could not fire her is she was responsible. Morrison told me she had a lunch with PIO Rezzonico during which Rezzonico disclosed that it was related to an "independent expenditure." Morrison was reluctant to tell me anything more and asked that I find a way to get this from Rezzonico without revealing who was my source.

SEPTEMBER 27, 2011 (post press conference):

PIO Rezzonico came to my office to help me sort through the voluminous PRRs from Lemmons. While there, I asked Rezzonico what it was that Winn had on AG Horne (Note: DAG Bistrow, Chief Dugan, PIO Rezzonico, AAG Morrison, and AGO employees deVernai and Heap had all indicated that they believed it was likely Winn behind the leak and subsequent article.) Rezzonico said to me, "Well, it's that independent expenditure that Tom told you about." I asked her to explain to me as I didn't recall this. Rezzonico said she thought Tom had told me when I met with him previously and I told her I probably forgot because I was so shocked by the statement about two women wanting to have sex with him. Rezzonico told me it was because Winn was pushing back and resisting taking direction from Chenal during the campaign and so as a way for AG Horne to "separate" the two women, he told Winn, "You go do this independent expenditure and take care of this money for me." I told Rezzonico I must have forgotten about this.

SEPTEMBER 28, 2011 at 0905 hours:

CSA Rubalcava and I interview SA Alley.

SEPTEMBER 28, 2011 @ about 1030 hours:

I went to the office of Karen Osborne, Maricopa County Elections Director and asked her to give me a brief lesson in independent expenditures. She provided me some background and showed me in my copy of the Titles 16 and 19, what the laws were related to this issue. I provided her a hypothetical example of a candidate directing someone to take over and/or run an independent expenditure and she explained that was illegal and meant it was no longer "independent." I asked Osborne who would have the responsibility to investigate this type of criminal activity and told me it would be my office, the Attorney General's Office. I asked who would do it if there was a conflict and she told me if there was Federal money involved the feds could, or if there were not conflicts, a county level official could take it.

SEPTEMBER 29, 2011 @ about 1010 hours:

CSA Rubalcava and I interview AAG Flynn. Flynn discloses knowledge of the alleged grant application falsification, which he had learned from deVernai. CSA Rubalcava had no prior knowledge, thus he and I excused ourselves and I advised him that I had learned of this



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previously and that I had reported it to law enforcement as was my duty as a law enforcement officer. We re-entered the room and began the interview with Flynn again, until he disclosed he also had heard of a "secret bank account" maintained by Winn. Again, we excused ourselves from the room and I told CSA Rubalcava I had just learned of this allegation two days prior, that I had met with Osborne to gain an understanding of whether or not there was an alleged crime, and that I would be also advising the same law enforcement agency of this allegation. (Note: When Flynn starts to discuss matters related to the alleged criminal activity, I wrote those notes in a separate paper, and retained it outside of the internal investigation file.) Flynn told us he heard about this from deVernai, but also states he is 75% to 80% was present when Winn was talking "openly" about the "secret bank account" she kept, which Flynn felt was odd, that she would be openly discussing "breaking campaign law and talking about it in the hallway." Flynn described, that based on his understanding, this was a way to, "let people funnel money without being on a donor list (for AG-elect Horne) and to exceed limits."

SEPTEMBER 29, 2011 @ about 1315 hours:

CSA Rubalcava and I meet with CDC Keppel and advise we think we know how Winn can "hurt" AG Horne. He advises he too thinks he knows and discloses that Rezzonico told him when he asked her why AG Horne would not fire Winn.

SEPTEMBER 29, 2011 @ about 1600 hours:

AG Horne, DAG Bistrow, CDC Keppel, CSA Rubalcava, and Fraud and Special Prosecution Section Chief Pacheco meet in Rubalcava's office to discuss another matter. At the end of this meeting, AG Horne and Bistrow ask for an update on the internal investigation. When provided with the results of the Alley and Flynn interviews, AG Horne again states he will not terminate Winn. AG Horne leaves and DAG Bistrow makes a comment about concerns related to a grant application submission and that Winn is or was involved. This information is as told to me by Rubalcava and Keppel, thus confirmation with them can clarify.

OCTOBER 3, 2011 @ about 0930 hours:

CSA Rubalcava and I interview AAG Gerald Richard.

OCTOBER 4, 2011:

An anonymous letter is received at the AGO, addressed to AG Horne and claiming to know the source of the New Times "leak." AG Horne requests I open a criminal investigation and have the letter checked for fingerprints. I explain I do not see a crime, at this time, and if I did, I would not be able to handle a criminal investigation, due to potential Garrity compelled statements and conflict issues, thus we would have to assign a different agent. After another review of the letter, I felt that the writer showed intent to intercept a communication when they chose to stay on the phone call and listen.



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OCTOBER 6, 2011 @ 1100 hours:

AG Horne, DAG Bistrow, CDC Keppel, CSA Rubalcava and I meet to discuss update and future actions. DAG Bistrow advises that he has addressed the outside employment issues with Winn and that she was able to explain that it is all related to her position as Community Outreach Director and her attempts to assist constituents who were in mortgage distress situations. AG Horne again stated that if Winn was to be interviewed, it should be he who conducts the interview. We also explain to AG Horne that in regards to the letter, we could send it out to AZ DPS for investigation and processing if he wished. AG Horne stated he wished to be able to make the decision about prosecution as it appeared the writer was a supporter of his. It was explained to him that any decision even related about whether or not to prosecute or send it out for prosecution or not, would be considered a prosecutorial decision for which he had a conflict. It was eventually agreed that the letter would be submitted to AZ DPS for processing by a different agent within the AGO for the crime of an illegal interception of a communication.

OCTOBER 6, 2011 @ about 1245 hours:

Winn contacts me in my office, for the first time since she began employment at the AGO. This is an unsolicited, random contact about a matter which has nothing to do with me or with the Special Investigations Section. I had one previous contact with Winn, and that was in April, outside of the building and then in Tucson related to a security detail I was performing for AG Horne in Tucson, for an event she was also scheduled to attend.

OCTOBER 6, 2011 @ about 1520 hours:

I received an email from AAG Flynn requesting I respond to his office as soon as possible. On arrival I see deVernai is present and AAG Flynn excuses himself and tells me she has something to tell me. deVernai states that Winn had come to her and stated she knew who "leaked: the information to the New Times.

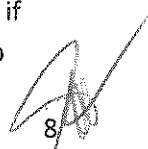
OCTOBER 7, 2011 @ about 1330 hours:

CAS Rubalcava and I interview AGO employee Linnea Heap.

OCTOBER 7, 2011 @ about 1700 hours:

AG Horne contacts CSA Rubalcava and I and advises Winn has informed him of who caused the leak and the PRRs from the New Times. Per AG Horne, Winn states she called a source of hers at the New Times and was told it was Susan Segal and Monica Goddard.

During this conversation AG Horne asks Rubalcava and I if he can tell us about something that he may have learned as a result of someone listening into another person's phone call in the office, during which a person was making negative comments about AG Horne. We explained that if this did take place, it would be the same crime for which we were requesting AZ DPS to help



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investigate regarding the anonymous letter. He said he knew that and thus wanted to ask Rubalcava and I if we would promise not to investigate or report it as a crime. We both stated "No", we could not and would not. I told him I was loyal to him as my boss, but I am first loyal to my oath and if I learn of a crime having taken place, I have a duty to report. I also advised AG Horne that if he, as the top law enforcement officer in the state, knew of a possible crime and withheld that information, it would not look good for him or be a good idea. He then asked about what if the person overheard a phone call by standing outside of someone's office, instead of listening in on the call. Would that be different? We explained about the expectation of privacy and said it was too vague to answer. I asked him if he could just provide me of the name of someone he thought I should consider in my internal investigation, as he had indicated this call and/or comments had been made or discovered in the civil law division, and I did have one possible name on my list from within that division. He said he was unsure of the name and would have to check with his source and get back to me. The name he later provided did not match my information and nothing further was mentioned about the alleged phone call.

OCTOBER 12, 2011 @ about 1200 hours:

CSA Rubalcava and I interview AGO employee Lucia deVernai at an offsite location.

OCTOBER 31, 2011:

AG Horne advises me he heard of an employee in Tucson that was not a supporter of his, from Director Sharon Collins, and wondered if this person could be related to the "leak" to the New Times. I told him I did know of a person who was alleged to have had a phone call placed to the New Times from their desk phone and would provide the name. The name of Rose Daly was provided to AG Horne later that week. AG Horne later advised it was not the person he was thinking of.

DECEMBER 7, 2011:

Meeting with DAG Bistrow, CDC Keppel, CSA Rubalcava and I to discuss case update memos provided to Bistrow, Keppel, and Rubalcava, the week of December 5, 2011. Bistrow states he is certain AG Horne will not allow me to interview Winn and I explain that it is the most logical next step based on her disclosure of who the source is for the "leak." He requests a copy of my submission to provide to AG Horne for review and states we will meet and discuss the next steps after they have a chance to meet.

DECEMBER 8, 2011:

Carmen Chenal approaches me and explains that she has received an email from the Arizona Bar advising her that Channel 15 news has made a request to review her AZ Bar file. Chenal told me that AG Horne and Winn had been at Channel 15 about two weeks prior, (right before Thanksgiving), to this and that they worked phone banks regarding elder abuse or scam issues.

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Chenal said that AG Horne left before Winn and that she thought Winn may have started a conversation with Channel 15 reporters or personnel about Chenal. Chenal told me when she approached AG Horne about this he became "defensive" for Winn. Chenal said, "He always defends her. The only thing Tom and I have ever fought about in 30 years is Kathleen."

Chenal told me that AG Horne instead directed the likely blame towards a recently terminated AAG, Ron Lebowitz, pointing out that Lebowitz partially blamed Chenal for his termination. AG Horne asked AAG Larry Cutler to ask Lebowitz if he was behind the Channel 15 inquiry. Per Chenal, Cutler reported back that Lebowitz' response was, "Tell Tom Horne if he wants to know if I am behind that to ask me himself."

Chenal added that one of Winn's behaviors stood out to her related to this. Chenal told me that Winn has only come and actually "sat down" in her office two times since they came to the AGO. Chenal said Winn came to her office the day before the New Times article and sat down "to chat", for no apparent reason. She said the next time Winn did this was the day before she got the email from the AZ Bar about the inquiry by Channel 15. Chenal told me she thought AG Horne wanted the internal investigation to end, but that she is still certain that Winn was behind the New Times article.

DECEMBER 9, 2011 @ about 1430 hours:

Meeting with AG Horne, DAG Bistrow, CDC Keppel, CSA Rubalcava and myself to discuss investigation status, case updates, and future steps. AG Horne starts by indicating the next step he would like me to take is to interview Director Collins, in Tucson. I explain why I think it would be important to interview Winn and possibly be able to end the inquiry, and he tells me he is concerned it will upset her. Horne tells me about the information related to Channel 15 news filing a request with the AZ Bar to review Chenal's Bar file and that he asked Winn what she had spoken with Channel 15 about after he left. AG Horne said Winn was very upset and he did not want to offend her again by my asking her about her source at the New Times and the source of the leak. I explain that I would not be interviewing Winn in an interrogative manner, and that she may actually be able to come out of it feeling like the "hero", solving what I was unable. I asked him if he had any reason to doubt Winn's story about her source and he said he did think it was unlikely someone at the New Times would reveal a source, but he acquiesced, and said under the "hero" theory, I could go ahead and interview Winn. He did however, ask me not to do it immediately so he could "sleep on it a little more." AG Horne also directed us to ask the AZ DPS to expedite the processing of the anonymous letter for fingerprints, which CSA Rubalcava said he would try to do. (Note: The anonymous letter case is AGO case number P002-2011-2059 and SAS Frank Arvizu is the case agent assigned to that case.)

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After leaving AG Horne's office, about 30 minutes later, DAG Bistrow came to my office and told me he had spoken more with AG Horne and that I was not to interview Winn. Bistrow explained, "Tom, you, and I all know she is lying. There is no way the New Times gave up a source and all we will do is provide her an opportunity to lie to you. And we know she lies. And if she somehow admits she is behind the leak, we all know Tom is not going to fire her. He is not going to do anything to Kathleen." I reminded Bistrow that AG Horne had requested I follow up with Collins on the employee that was labeled a "communist" that had differing political views than AG Horne. Bistrow agreed that I should complete that interview and provided me with his thoughts about using caution and a "filter" when interviewing Collins as she had very strong opinions against anyone that may oppose AG Horne. He added that I would likely be asked to speak with AAG Don Dybus and I told him I did not intend to interview Dybus as AG Horne had indicated it was Collins with the information about an employee that may be disloyal to AG Horne. Bistrow agreed that I should proceed in that manner.

DECEMBER 12, 2011 @ 1400 hours:

CSA Rubalcava and I interviewed Director Sharon Collins in the Tucson AG Office.

Note: On our arrival AAG Don Dybus was present in the conference room and stated his intent to remain during our interview of Collins. We explained that was not going to be permitted and explained we were there at the request of and with the authority from CDC Keppel, DAG Bistrow, and AG Horne. Dybus eventually left and then returned to indicate he had attempted to call AG Horne to verify this, but AG Horne was in a press conference. Following the interviews with Collins and Daly, I was asked to contact Chief Dugan in the Phoenix office prior to leaving Tucson. I did so and Dugan told me AG Horne requested I interview Dybus. I explained I had no reason to believe he had information relative to my investigation, but would do as asked. Dugan later told me Dybus had called her when he could not reach AG Horne to express his displeasure with being "disinvited" to Collins' interview, and that she and AG Horne thought if we took the time to "interview" or talk with Dybus, he might "feel better."

DECEMBER 12, 2011 @ 1447 hours:

CSA Rubalcava and I interviewed AAG Rose Daly in the Tucson AG Office.

DECEMBER 12, 2011 @ 1540 hours:

CSA Rubalcava and I interviewed AAG Don Dybus in the Tucson AG Office.

DECEMBER 12, 2011 @ about 1736 hours:

I spoke with CDC Keppel by cell phone as CSA Rubalcava and I traveled back to Phoenix from Tucson. Keppel told me that he had just met with DAG Bistrow and that Bistrow inquired about

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whether or not the office could destroy my internal investigation file and remove the related items from my computer. Keppel told him he did not think they could do that because of public records laws. Bistrow asked him what he thought I would say if they asked me to do that. Keppel told him he thought I would tell him I would not do that. Bistrow asked Keppel if they could title my reports (memos) as "drafts" and if that would keep them from having to be released if a PRR ever came in. Keppel explained they were not drafts, but rather ongoing case status updates. Bistrow asked if my file could be merged into a personnel file, and then would it be protected from release. Keppel said he did not know that this would protect the file or information, but asked who's file it would be placed. Bistrow said it would be Kathleen Winn's personnel file. Keppel advised he thought that would not protect it from PRRs. Keppel told me they agreed to re-visit this the next day.

DECEMBER 13, 2011 @ about 0600m hours:

Based on my conversation with CDC Keppel on December 12, 2011, I was concerned about the destruction of what I understood to be a public record required to be secured, thus I responded to the AGO and scanned a copy of my entire file/notebook, and the notes from my interviews from December 12, 2011. The scanned copy was saved to my AGO server "G" drive. I then made compact disk copies of this file and provided one to CSA Rubalcava and one to FBI SA Grehoski, both for safekeeping. Copies of all of the memos/reports and timelines have also been saved, as they were written, within the AGO Hummingbird document management system and in the Legal Files case management system, with the case file number P002-2011-1480.

DECEMBER 13, 2011 @ about 0800:

CDC Keppel, CSA Rubalcava and I met with DAG Bistrow. Bistrow started the meeting by stating he did not recall that I had planned to go to Tucson to interview Collins. He told me he thought we just needed "to be done" with the internal investigation, that we all know that it seemingly leads to Winn, but that we know nothing will happen so he wanted it closed, but did not want me to write anything. I told him I would be happy to be done and that I would write the interviews from the day before and consider it completed per his direction. Bistrow told me he did not want me to write anything related to the interviews from the day before (12/12/11). I told him I was unclear how I could not do that as I had done so with all others. He told me not to write anything. I told him this was unprecedented for me and that I was uncomfortable with what he was asking. CSA Rubalcava reminded DAG Bistrow that the persons interviewed had been read admonition statements and were aware their statements had been taken. We inquired about how we could respond if the interviewed persons asked to see their statements and we did not have them. We also pointed out that we thought we would have to comply with a redacted version of the reports if a PRR came in, much like those related to David Hendershott and Lisa Aubuchon. Bistrow told Keppel that he wanted to speak with him more about their conversation from the day before and told me just to wait and not do anything until he let me know what he wanted. We suggested Bistrow contact Employment Law AAG Dennis Carpenter

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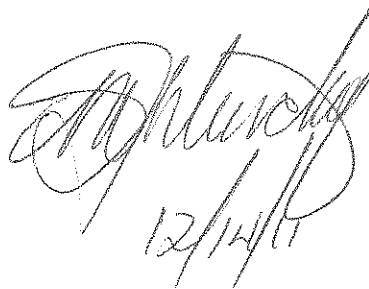
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and AAG Paula Bickett, in the AGO's Solicitor General Section, who had been our in-house expert on PRRs. He told Keppel he would discuss this with him and perhaps they would meet with those AAGs.

DECEMBER 13, 2011 @ about 1100 hours:

CDC Keppel requested I respond to his office to update me on a recent conversation. CDC Keppel told me he had been contacted by DAG bistro and bistro told Keppel that he did not wish to contact Carpenter or Bickett, or anyone else within the AGO as he did not want anyone else in the office to know about the internal investigation. Bistrow told Keppel that he would find out what we could and could not do related to my file and the unwritten reports from some other source.

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